

Mr. Mark Parks
Treasurer
Cuyahoga County Administration Building
1219 Ontario Street, 1st floor
Cleveland, OH 44113

June 27, 2013

Dear Mr. Parks,

Thank you for attending the meeting on June 17th with VAPAC's Delinquent Tax Committee, in which we discussed Aeon Financial, a firm which has bought tax lien certificates from the county in the past. As you are aware, since the County re-introduced tax lien certificate sales in 2010, VAPAC has worked with County staff to make this process one which is effective, equitable and supports strengthening neighborhoods, while still enhancing the County's tax collection efforts. We have greatly appreciated the responsiveness of the Fiscal Office to incorporating recommended changes into tax lien certificate sales and understand the importance of these sales as a tax collection tool for the county. For that reason, we are very concerned about the potential damage that could be done to the public support and credibility of the tax lien certificate sale process if companies that demonstrate a lack of regard for municipal codes are allowed to participate in the tax lien sale program. This is a topic which we have previously discussed with Fiscal Office staff and as a result we had recommended that the county establish a vetting process that excludes bidders who have a history of non-compliance with municipal codes.

Based on the data presented at the meeting as well as the reports from municipal officials who have been dealing with Aeon Financial, the following points clearly emerged at the meeting:

- Aeon Financial, as a result of foreclosing on tax liens it purchased from the county, currently owns a substantial inventory of 252 properties in Cuyahoga County, with another 158 properties about to come into their possession. Of these, 276 (71.5%) are in the City of Cleveland, and 28.5% are in the suburbs.
- Of the 276 properties in the City of Cleveland, 40 (15%) have been condemned, and at least 12 have already been demolished by the City of Cleveland. The Cuyahoga County Land Reutilization Corporation (CCLRC) has demolished at least three suburban properties owned by Aeon, with at least one pending. To date Aeon has not paid for nor accepted responsibility for the demolition costs. In addition, Aeon has repeatedly stated that they do not consider themselves responsible for demolitions paid for by DTAC funds since they were the reason such DTAC funds are even available.
- Despite months of meetings and discussions with municipal officials and the CCLRC, Aeon has been unable or unwilling to present a plan of action for responsibly handling the distressed and condemned properties it owns. They are willing to donate properties, but not to cover the associated demolition costs.
- Aeon has demolished two properties and indicated it has one demolition pending, but no plans for further demolitions. They have indicated that they do not have the funds to demolish condemned properties and instead they plan to continue marketing them through the MLS to the highest bidder, in as-is condition, with no vetting of buyers. Despite their claim of lack of funds, between February

and June of 2013, Aeon sold 42 properties in Cuyahoga County which in total grossed them \$234,190.

- Between February and June of 2013, Aeon has already sold three (3) properties condemned by the City of Cleveland, and an additional eight (8) on the city's Distressed Property list. Of the 42 properties they sold between February and June 2013, only 6 sold for more than \$10,000, and the average sales price was \$5,576. This dumping of low value properties is of grave concern to the community.
- Aeon's initial response to municipal efforts to enforce their codes was not compliance, but rather a series of aggressive lawsuits which only served to create additional costs for municipalities and delay any beneficial outcome. Aeon finally dropped these lawsuits in April 2013, but has continued to routinely file appeals challenging condemnation actions on properties it owns in the City of Cleveland. Aeon has emphatically stated that it will legally challenge any efforts by the City of Cleveland to enforce its ordinance which holds all property owners in the chain of title responsible for demolition costs, on properties that Aeon owned. Until recently, they have refused to comply with the City of Shaker Heights' foreclosure filing fee ordinance.
- Aeon indicated that they had requested that the county research taking back liens on properties that are condemned but that have not yet come into Aeon's ownership. You stated that while they have the legal ability to take back liens, it is a tool that will only be used sparingly, and only in rare cases where all parties are in agreement, i.e. the county, the city affected, the lien holder and if applicable, the CCLRC, since it is not the county's responsibility to bail out private entities.

In short, what has emerged from Aeon's actions is a picture of a tax lien buyer that either has little willingness to cooperate with municipal officials or lacks the capacity to comply with local housing codes, and instead is actively offloading as many distressed properties as they can without a process to insure a beneficial outcome for our communities. Local research has clearly shown that indiscriminant trading of low value properties (generally considered properties valued under \$20,000) has become the scourge of Cuyahoga County communities, creating blight, and setting up a cycle of neighborhood decline. For example, of the extremely low value properties sold between 2004 and 2009, 56% were tax delinquent as of February 2010, and 49% were listed as vacant. (*BEYOND REO: Property Transfers at Extremely Distressed Prices in Cuyahoga County, 2005-2008*, Claudia Coulton, Michael Schramm, April Hirsh). This is the very reason why the community has worked so hard with the county to prevent condemned and low value properties from being a part of the tax lien sales. Despite best efforts, however, there will always be properties which end up in a deteriorated state by the time they come into the ownership of the tax lien certificate holder, and the business plan for all tax lien certificate buyers must take the responsible disposition of these properties into account.

It is not unreasonable for the public to expect that tax lien certificate buyers will be expected to maintain properties they own according to city codes and dispose of them responsibly, just as it would be reasonable to expect them to maintain a history of timely payment of taxes. While the county may not be able to do anything directly about Aeon's current actions, on the other hand, they can certainly take the necessary steps to ensure that there are greater safeguards in place to prevent this type of destabilizing activity by tax lien purchasers in the future. We believe that the county must make every effort to ensure that those who participate in publicly sponsored programs such as the tax lien certificate sale must, at a minimum, be able to demonstrate that they do not have a history of failing to comply with municipal codes, or of attempting to circumvent the law, and of being current in all their tax payments. The county has sought to make transparency and accountability hallmarks of its

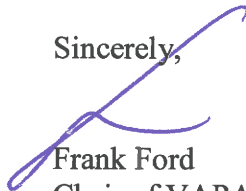
administration, and requiring participants in the tax lien certificate sale program to demonstrate that they have “clean hands” is totally consistent with that philosophy.

At the meeting with VAPAC, the county committed to providing the following:

1. A timeline for the various steps leading up to the September 26, 2013 tax lien sale;
2. A draft for comment of the contract proposed for this next tax lien sale;
3. A draft of the proposed procedures for qualifying bidders to avoid issues such as are currently being faced with Aeon arising in the future; and
4. A list of the companies that had expressed written intent to participate in the next tax lien sale, subject to a review of this request by the County Prosecutor’s office.

Upon receipt of these items, the VAPAC Delinquent Tax Committee will convene to review these items and provide input as appropriate, as they have done before. Thank you again for working with the community to address these issues and make the tax lien sale process one that we can all support and hold up as beneficial to our communities. If you have specific questions regarding any of the items above, please contact me at 216-407-4156. We look forward to your response to the issues raised above and to working together as we jointly tackle the critical housing issues facing our communities.

Sincerely,



Frank Ford
Chair of VAPAC

c.c. Mr. Wade Steen, Fiscal Officer
Mr. Ed FitzGerald, County Executive
Ms. C. Ellen Connally, County Council President